

Global Convertible Strategy



Market Overview

Global convertibles participated in the upside in global equities, as the ICE BofAML Global 300 Convertible Index returned 2.45% in the quarter and 16.05% for 2017. U.S. convertibles participated with gains in their underlying equities, returning +1.56% in the quarter. European convertibles also performed well, returning 2.57%, while Japanese domestic convertibles climbed 4.86%. Asia ex-Japan convertibles lagged other markets in the period, dipping -0.44%. Globally, investment-grade convertibles gained 3.34% versus the 2.08% return in below-investment-grade issues, as measured by the ICE BofAML Investment Grade Global Index and ICE BofAML Below Investment Grade Global Index. New convertibles issuance finished at \$74.5 billion globally for the year, compared to \$77.3 billion a year ago, per ICE BofAML figures. The level marked a reasonably healthy supply in the overall market as issuance also outpaced redemptions for the year.

Performance Review

The portfolio delivered a gain for the quarter, though it did trail its benchmark index. Relative to the ICE BAML Global 300 Convertible index, the areas that had significant impact on performance during the quarter included:

Industrials. An underweight position and security selection within the industrials sector supported the quarterly return. The portfolio's holdings in the aerospace & defense and construction & engineering industries outperformed.

Real Estate. Security selection within the real estate sector also contributed to performance during the quarter. Portfolio holdings within real estate operating companies and residential REITs outperformed.

Consumer Discretionary. An overweight allocation and security selection within the consumer discretionary sector detracted from performance. Names in the automobile manufacturers, internet & direct marketing retail and homebuilding lagged.

Financials. Security selection within financials also held back the quarterly result. Holdings in the asset management & custody banks industry trailed. The portfolio also lacked an allocation to the relatively strong-performing thrifts & mortgage finance and property & casualty insurance industries.

Protective Puts. The portfolio utilized protective puts to help managed overall equity sensitivity. While low interest rates and volatility made such puts inexpensive, the equity market advance meant that puts declined in value.

Equity sensitivity. The portfolio was underweight to convertibles carrying the most equity sensitivity. The underweight position held back the portfolio as these convertibles outperformed during the quarter.

Region. The portfolio benefited from an overweight allocation and strong security selection in Europe. Underweight allocations and selection in the United States and Japan detracted from the quarterly result.

FIGURE 1. CALAMOS GLOBAL CONVERTIBLE STRATEGY RETURNS

	QTR ENDING 12/31/17	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (10/01)
Calamos Global Convertible Composite						
Gross of Fees	1.90%	15.64%	7.51%	8.06%	5.52%	8.05%
Net of Fees	1.56	14.09	5.98	6.64	4.50	6.99
ICE BofAML VG00 - Global 300	2.45	16.05	8.02	8.82	6.05	7.17
MSCI World Index	5.62	23.07	9.88	12.26	5.64	7.80

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 12/31/17.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE ICE BOFAML GLOBAL 300 CONVERTIBLE INDEX (G300)
FOURTH QUARTER 2017

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Industrials	28	
Real Estate	14	
Telecom Services	14	
Utilities	10	
Materials	9	
Consumer Staples	5	
Energy	5	
Information Technology	2	
Health Care		-14
Financials		-20
Consumer Discretionary		-41

Attribution represented in basis points and is based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or options on broad market indices the portfolio may hold.

Past performance is no guarantee of future results.

Source: Calamos Advisors LLC. Data as of 12/31/17.

Positioning and Portfolio Changes

The largest allocation resides in information technology where favorable cyclical and secular opportunities exist. Application software and semiconductors have been the largest industry allocations, as we continue to see strong end-market demand in these areas. Consumer discretionary continues to be the largest relative overweight, and bottom up considerations led us to attractive positions in the household appliances, internet retail and automobile manufacturer industries.

We maintain relative underweight positions in consumer staples, materials and telecom services. These have been primarily defensive sectors, and the convertibles in these sectors offer less favorable risk/reward structures.

Relative to the ICE BofAML Global 300 Convertible Index, the portfolio holds underweight allocations within the United States and Japan while being overweight in Europe.

Below, we discuss changes made during the quarter:

Industrials. We increased the allocation to industrials during the quarter, adding to the electrical components & equipment, construction & engineering and diversified support services industries.

Information Technology. We also raised the stake in information technology, adding names in the semiconductor equipment, semiconductors, internet software & services, and electronic manufacturing services industries.

Consumer Discretionary. We reduced the allocation to consumer discretionary, scaling back on positions in consumer electronics and internet & direct marketing retail.

Financials. In financials, we pared back existing names in the asset management & custody banks and diversified banks industries.

Outlook

The balance of corporate and macroeconomic data points to continued synchronized global growth across regions. Global monetary policy remains accommodative overall, though multiple central banks are edging toward policy tightening and we are seeing a pivot toward fiscal stimulus. We are finding continued opportunities in global equities, reflective of positive fundamentals, low inflation and relatively attractive valuations. In terms of broad positioning, we favor a blend of investments in secular and cyclical growth companies, with a relative underweight positioning in defensives overall. We see significant opportunities in companies with earnings growth catalysts, solid cash flow generation and improving to strong balance sheets. From a thematic and sector perspective, we see opportunities in the information technology sector, consumer companies with targeted areas of demand, and more cyclical companies in the financials and industrials sectors with improving fundamentals and catalysts. Our risk-managed, active investment approach and long-term perspective positions us to take advantage of the opportunities in global markets.

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FIGURE 3. SECTOR ALLOCATIONS VERSUS THE ICE BOFAML GLOBAL 300 CONVERTIBLE INDEX (G300)

SECTOR	REPRESENTATIVE PORTFOLIO %	ICE BOFAML G300 INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 9/30/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	22.9	22.6	1.4	0.3
Consumer Discretionary	15.4	12.1	-3.7	3.3
Financials	14.8	12.6	-1.7	2.2
Industrials	10.9	10.4	1.9	0.5
Health Care	9.9	11.7	-1.8	-1.8
Real Estate	9.8	7.4	1.1	2.4
Energy	6.4	5.6	1.0	0.8
Materials	5.1	5.3	1.2	-0.2
Telecom Services	4.3	5.2	0.6	-0.9
Utilities	0.5	4.9	0.0	-4.4
Consumer Staples	0.0	2.2	0.0	-2.2

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or broad-based index hedging securities/options the portfolio may hold.
Source: Calamos Advisors LLC. Data as of 12/31/17.

FIGURE 4. LARGEST 10 COUNTRY WEIGHTS VERSUS ICE BOFAML GLOBAL 300 CONVERTIBLE INDEX (G300)

COUNTRY	REPRESENTATIVE PORTFOLIO %	ICE BOFAML G300 INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 9/30/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
United States	52.2	54.5	-4.6	-2.3
France	10.0	6.3	0.8	3.7
Germany	7.6	4.0	0.3	3.6
Japan	6.1	10.1	-1.6	-4.0
Netherlands	5.7	4.2	0.4	1.5
China	3.0	3.1	0.9	-0.1
Hong Kong	2.4	1.3	2.1	1.1
Luxembourg	2.3	0.5	1.5	1.8
Philippines	1.5	0.2	0.0	1.3
Hungary	1.1	0.9	0.0	0.2
Developed Markets	92.2	92.5	-1.4	-0.3
Emerging Markets	7.8	7.5	1.4	0.3

Excludes cash weighting. Companies are classified geographically according to their country of domicile. This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Geographical distribution tables exclude any options on broad market indices the portfolio may hold.
Source: Calamos Advisors LLC. Data as of 12/31/17.

The representative portfolio information described in both charts above represents a representative account managed in the Global Convertible strategy. Other clients' portfolios may differ mainly due to individual restrictions and timing of purchases and sales. All portfolio positioning and sector information is for a representative portfolio. Please see last page for additional information.

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Past performance does not guarantee or indicate future results. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown. There is no guarantee that the investment goals/objectives will be met. Indices are unmanaged and one cannot invest directly in an index.

The information portrayed is for the Calamos Global Convertible Composite. Representative holdings and portfolio characteristics are for the Representative Portfolio shown and are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Investments in overseas markets pose special risks, including currency fluctuation and political risks, and the strategy is expected to be more volatile than that of a U.S. only strategy. These risks are generally intensified for investments in emerging markets.

The information provided in this report should not be considered a recommendation to purchase or sell any industry, sector or particular security. There is no assurance that any industry, sector or security discussed herein will remain in a client's account at the time of reading this report or that industry, sectors or securities sold have not been repurchased. The industries, sectors, or securities discussed herein do not represent a client's entire account and in the aggregate may represent only a small percentage of an account's holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Performance returns presented reflect, unless otherwise noted, the **Calamos Global Convertible Composite** which is an actively managed composite investing primarily in a globally diversified portfolio of convertible securities. The composite includes all fully discretionary fee-paying accounts, including those no longer with the Firm. The Composite inception date is October 1, 2001.

Country Return Statistics: Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed. The ICE BofAML Global 300 Convertible Index (VG00) is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region. The ICE BofAML Investment Grade Global 300 Convertibles Index comprises issues of investment-grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. The ICE BofAML Speculative Grade Global 300 Convertibles Index comprises speculative grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofAML indices and related data on an 'as is' basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofAML indices or data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing and does not sponsor, endorse or recommend Calamos Advisors LLC or any of its products or services.

The **MSCI Europe Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The **MSCI Japan Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Japan. The **MSCI World Index** is a market capitalization weighted index composed of companies representative of the market structure of developed market countries in North America, Europe, and the Asia/Pacific Region.

Unmanaged index returns assume reinvestment of any and all distributions and, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. Chart Data Sources: Calamos Advisors LLC.

Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average assuming reinvestment of dividends and capital gains distributions.

Calamos Advisors LLC is a federally registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to:

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